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Hearing Date and Time:
December 3, 2008 at 10:00 a.m.

and

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Attorneys for HFF I, LLC

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

LEHMAN BROTHERS HOLDINGS, INC.,

Debtors.

Chapter 11

Case No. 08-13555(JMP)
(Jointly Administered)

**LIMITED OBJECTION OF HFF I, LLC TO DEBTORS' MOTION FOR AN ORDER
PURSUANT TO SECTIONS 105 AND 365 OF THE BANKRUPTCY CODE TO
ESTABLISH PROCEDURES FOR THE SETTLEMENT OR ASSUMPTION AND
ASSIGNMENT OF PREPETITION DERIVATIVE CONTRACTS**

HFF I, LLC ("HFF"), for its limited objection (the "Limited Objection") to Debtors' Motion for an Order Pursuant to Sections 105 and 365 of the Bankruptcy Code to Establish Procedures for the Settlement or Assumption and Assignment of Prepetition Derivative Contracts (the "Motion"), respectfully states as follows.

BACKGROUND FACTS

1. On or about December 7, 2007, HFF and Lehman Brothers Commodity Services Inc. (“LBCS”), one of the captioned debtors and debtors-in-possession, entered into an ISDA Master Agreement (including all Schedules and amendments thereto, the “Master Agreement”) which governed the terms and conditions for derivative swap transactions entered into by and between HFF and LBCS.

2. After entering into the Master Agreement, HFF and LBCS engaged in a series of derivative swap transactions under and subject to the terms of the Master Agreement, and HFF provided certain collateral (the “Posted Collateral”) to LBCS from time to time to secure its potential obligations to LBCS.

3. On or about September 17, 2008, HFF terminated the Master Agreement, thus triggering LBCS’ obligation to return the Posted Collateral. HFF demanded that LBCS return the Posted Collateral to HFF pursuant to the terms of the Master Agreement; however, LBCS has not complied with HFF’s demand.

4. HFF has not commenced an action to recover the Posted Collateral, but reserves all of its rights to do so.

LIMITED OBJECTION

5. The Motion seeks to establish uniform procedures for the (i) assumption and assignment of non-terminated derivative contracts (the “Assumption and Assignment Procedures”); and (ii) settlement of terminated derivative contracts (the “Settlement Procedures”).

6. HFF terminated the Master Agreement, and all trades under the Master Agreement have closed. Accordingly, the Debtors may not assume and assign the Master

Agreement, and it is HFF's understanding that the Assumption and Assignment Procedures do not apply to the Master Agreement. *See*, 11 U.S.C. § 365(a). However, out of an abundance of caution, HFF hereby asserts a limited objection to the Motion to any extent that it purports to authorize the Debtors to assume and assign the Master Agreement and/or to subject the Master Agreement to the Assumption and Assignment Procedures.

7. With respect to the Motion as it pertains to terminated contracts, HFF hereby objects for the same general reasons articulated in Royal Bank America's Limited Objection filed in connection with the Motion (ECF Document Nos. 1720 and 1736), and incorporates such objections herein by reference.

8. Specifically, HFF objects to the Motion on the bases that the proposed Settlement Procedures are vague and leave open to interpretation whether the relief sought by the Motion would impair or otherwise affect HFF's rights under the terminated Master Agreement, and do not require the Debtors to return the Posted Collateral or otherwise satisfy their termination obligations under the Master Agreement and applicable law.

9. Accordingly, HFF requests that the following language (the "Proposed Language") proposed by Royal Bank America in its Limited Objection be included in any order granting the Motion:

"Nothing in this order shall be construed to supersede, suspend or otherwise interfere with (i) the legal and contractual rights of parties to terminated Derivative Contracts, to the extent such legal and contractual rights are enforceable in the Debtors' cases under the Bankruptcy Code (the "Enforceable Rights"); and (ii) the commencement or continuation of any civil proceeding by any party to a terminated Derivative Contract with respect to such party's Enforceable Rights, including, without limitation, any such adversary proceeding commenced or pending in this Court."

10. HFF reserves all of its rights to amend, supplement or modify this Limited Objection. HFF further reserves all of its rights to, without limitation, commence and prosecute to conclusion an action, including but not limited to an adversary proceeding, to enforce its rights under the Master Agreement.

WHEREFORE, HFF respectfully requests that (i) the Motion be denied to any extent that it provides for the assumption and assignment of the Master Agreement and/or subjecting the Master Agreement to the Assumption and Assignment Procedures; (ii) the Motion be denied unless the Proposed Language is incorporated into any order granting the Motion and (iii) the Court grant such other and further relief as it deems just and appropriate.

Dated: November 26, 2008

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